HUD Statement on Proposed Public Housing Operating Subsidy Rule

HUD is preparing to publish in the Federal Register for public comment a proposed rule that will provide a new formula for distributing Public Housing Operating Subsidy to more than 3,000 public housing agencies (PHAs) nationwide.

HUD is confident the proposed regulation will:

- Streamline and simplify the operating subsidy calculation to determine appropriate subsidy amounts for each PHA on a property basis
- Improve the operating subsidy estimation process by placing more emphasis on actual or historical data rather than on forecasted information
- Redirect the focus of the public housing program from an "agency-centric" to a "property-based" management model.

The proposed rule, which has benefited from the active participation of public housing agencies, other members of the public housing community, and the Congressionally-directed Harvard Cost Study, provides for a better allocation of operating subsidies among PHAs. Under the proposed rule, subsidies will be allocated based on actual costs of comparable assisted housing. There is widespread agreement that this allocation is superior to the continued use of cost estimates developed by HUD dating back to the 1970s that are inflated and forecasted each year.

More than two-thirds of all public housing agencies stand to receive an increase in subsidy under this new proposed formula rule. For those agencies that stand to receive less subsidy, reductions would be phased in over five years to allow for an appropriate transition and adjustment of operating costs.

HUD remains committed to the Harvard Cost Study methodology and the conversion to asset-management as illustrated in HUD's agreement to provide PHAs with tools to assist with the transition such as fees for information technology, asset management, asset repositioning, rental income stability and incentives to increase income.

HUD looks forward to receiving comments from the public on aspects of the proposed rule after it is published.